



Executive Summary

Introduction

In Fiscal Year (FY) 2014, with more than \$156 billion in obligations and approximately 325,000 full-time equivalent (FTE) employees, the Department of Veteran Affairs (VA) took numerous actions that helped improve the quality of life for America's Veterans and their families. VA's major achievements and challenges are summarized below.

Medical Services: Delivering High-Quality Health Care

In FY 2014, VA maintained the largest integrated health care system in America. Throughout the year, VA continued to implement new innovative practices to improve Veterans' access to health care, such as telemedicine and mobile clinics, to provide care to more than 6.4 million unique patients. VA's commitment to delivering timely, high-quality health care to America's Veterans while controlling costs remains a top priority.

During the course of FY 2014, VA senior leadership learned that within some of our Veterans Health Administration facilities, VA had a systemic, totally unacceptable lack of integrity. That breach of trust—which involved the tracking of patient wait times for appointments—was irresponsible, indefensible, and unacceptable to the Department. Upon learning of allegations of waiting time manipulation at three VA facilities, VA senior leadership initiated a nationwide audit of scheduling practices which identified 1) significant lack of clarity regarding scheduling policies and practices across our system; 2) an inflexible and unrealistic 14-day standard for appointment times; 3) inadequate staffing of providers and clerical support at many of the sites that were experiencing the greatest surge in patient demand; and 4) rigid and obsolete scheduling software.

In response to the findings of the national audit, VA took several actions. First, it immediately suspended the use of the 14-day waiting time standard in executive and manager performance plans, and undertook expansion of our ongoing efforts to understand how Veterans perceive their access to care. Additionally, VA launched a comprehensive initiative to accelerate care by deploying internal resources to address long waiting times and significantly expanding purchased care in those markets where internal provider capacity could not meet the needs of Veterans. This initiative identified significant areas of misalignment between Veterans' demands for specific types of medical care, and available technology, infrastructure, and care providers. Matching the supply of available providers to the demand for health care is a challenge for any health care system, and is made more difficult by the absence of national staffing standards for most specialties, as well as limitations in data systems that are used to manage appointment and specialty consult scheduling. These issues are being addressed on a system-wide basis, including updating VA scheduling software and expanding virtual health care services. Lastly, existing authorities to obtain services from non-VA providers were significantly enhanced by the Veterans Access, Choice, and Accountability Act of 2014 (VACAA), which VA is now implementing. Under VACAA, where distance from a VA facility exceeds 40 miles,



or scheduling is delayed beyond 30 days, VA has authorities and resources to seek care from community-based non-VA providers.

Benefits: Ensuring a High Quality of Life After Military Service

VA completed over 1.3 million disability claims in FY 2014. Approximately 150,000 more Veterans received decisions on their disability claims than in 2013. Since 2011, VA has implemented the largest transformation in its history, streamlining the way it provides benefits and services to Veterans, their families, and survivors. Throughout FY 2014, VA achieved a number of significant, positive performance results in the benefits delivery area. Below is a brief summary of the most notable of these positive outcomes:

- Reducing the Claims Backlog: The Veterans Benefits Administration (VBA) has cut its backlog of pending disability benefit claims by 60 percent since the peak of March 2013. The number of claims more than 125 days old has dropped to 241,991, at the end of FY 2014 compared with a high of 611,073 in March 2013.
- Joint VA/Department of Defense (DoD) Integrated Disability Evaluation System (IDES) Program: In coordination with DoD, VA has developed and implemented an IDES program to provide wounded, ill, or injured Servicemembers fitness-for-duty determinations for continued military service and, if separated, expeditious payment of VA disability benefits. IDES now operates at 139 Military Treatment Facilities worldwide and covers 100 percent of Servicemembers who are referred to Medical Evaluation Boards for fitness determinations. IDES simplifies the process for disabled Servicemembers transitioning to Veteran status, improves the consistency of disability ratings and improves customer satisfaction. While the IDES program has achieved significant progress towards eliminating the benefits gap between receipt of military pay and VA benefits, VA and DoD continue to improve the process, including a strategic reallocation of resources to address ongoing challenges in coordinating VA and DoD's respective responsibilities.
- Seamless Transition: VA and DoD have jointly developed and implemented the Benefits Delivery at Discharge and the Quick Start programs to allow Servicemembers to submit claims while on active duty. These programs allow new Veterans to receive their benefits more quickly than they would have in the past. VA completed 62,697 pre-discharge claims in 2013 and completed 52,796 pre-discharge claims in FY 2014.

Burials and Memorials: Honoring Veterans for Sacrifices on Behalf of the Nation

VA honors the service and sacrifices of America's Veterans through the construction and maintenance of National, State, and Tribal cemeteries as national shrines, by furnishing headstones, markers, and medallions for the graves of Veterans buried in private cemeteries, and providing Presidential Memorial Certificates to honor the service of deceased American Veterans. Here are highlights from FY 2014:



- **Excellent Customer Service:** The National Cemetery Administration (NCA) received a score of 96 on the American Customer Satisfaction Index (ACSI). The ACSI is an independent survey, administered by CFI Group, which measures customer satisfaction for both private and public sector entities. NCA's score is the highest ever received by any organization on the ACSI. This result is closely aligned with respondents to NCA's 2013 Survey of Satisfaction with National Cemeteries. Ninety-six percent of respondents to this survey rated the quality of service provided by VA national cemeteries as excellent and 99 percent rated national cemetery appearance as excellent. Survey results for FY 2014 will be reported at a later date when available; however, NCA does not expect a significant change, if any, from past surveys.
- **Audits of Rural Veterans Initiative:** NCA's Rural Veterans Initiative was audited by VA's Office of Inspector General (OIG) in FY 2014. The Rural Veterans Initiative is designed to increase access to a burial option by establishing National Veterans Burial Grounds (NVBG) in eight states determined by NCA to have rural areas (less than 25,000 Veterans living within a 75 mile service area) that are considered not to have reasonable access to a burial option by either an in-state VA national cemetery, a VA national cemetery in an adjacent state, or a VA-funded state Veterans cemetery. OIG found that NCA's Rural Initiative does not adequately identify the number and percent of Veterans residing in rural areas that do not have reasonable access to a burial option. NCA has concurred with OIG's recommendations to establish a methodology to identify the number and percent of rural Veterans served and unserved throughout the country, to establish performance goals for the percent of rural and urban Veterans served, and to publish a national map showing the areas and number of served and unserved rural veterans. NCA began work to meet OIG's recommendations in FY 2014 and expects to fully implement these recommendations in FY 2015.

Finance: Ensuring Proper Stewardship of Taxpayer Dollars

VA is proud to have obtained an unqualified audit opinion on its financial statements for the 16th consecutive year. While VA worked diligently on remediating its one remaining material weakness, "Information Technology (IT) Controls," this will remain a material weakness in 2015. VA received two significant deficiencies; one for "Financial Reporting," driven by the age of VA's legacy Financial Management System; and one for "Accrued Operating Expenses." Additionally, while there is no change in Total Net Position, the FY 2013 VA financial statements have been restated, with adjustments being made to Cumulative Results of Operations and Unexpended Appropriations as of September 30, 2012.

Pursuant to guidance in the 2014 Omnibus Bill, VA successfully closed out the Recovery Act program, meeting all program goals. For USAspending.gov, VA reported all applicable required contract, grant, loan, and other assistance program spending, totaling \$142 billion.

Memorandum M-12-12, dated May 11, 2012, directed agencies to cut non-critical travel spending to promote efficient spending to support agency operations. VA developed and executed a plan to reduce non-essential travel costs and exceeded the required spending reduction by 22.3 percent.



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Part I. Management's Discussion and Analysis

Agency and Mission Information

Our Mission: *What We Are Here to Do*

To fulfill President Lincoln's promise – "To care for him who shall have borne the battle and for his widow and his orphan" – by serving and honoring the men and women who are America's Veterans.

President Lincoln's immortal words – delivered in his Second Inaugural Address more than 140 years ago – describe better than any others the mission of VA. We care for Veterans, their families, and survivors – men and women who have responded when their Nation needed help. Our mission is clear-cut, direct, and historically significant. It is a mission that every employee is proud to fulfill.

VA fulfills these words by providing world-class benefits and services to the millions of men and women who have served this country with honor in the military. President Lincoln's words guide the efforts of all VA employees who are committed to providing the best medical care, benefits, social support, and lasting memorials that Veterans and their dependents deserve in recognition of Veterans' service to this Nation.

Our Programs: *What We Do*

Veterans Health Administration

Providing Medical Care

VA operates the largest integrated health care delivery system in America. In this context, VA meets the health care needs of America's Veterans by providing a broad range of primary care, specialized care, and related medical and social support services. VA focuses on providing health care services that are uniquely related to Veterans' health or special needs. VA is also the Nation's largest provider of health care education and training for physician residents and other health care trainees. These education and training programs are designed to help ensure that there is an adequate supply of clinical care providers for Veterans and the Nation.

Web: <http://www1.va.gov/health/index.asp>

Conducting Veteran-Centered Research

VA advances medical research and development in ways that support Veterans' needs by pursuing medical research in areas that most directly address the diseases and conditions that affect Veterans.

Shared VA medical research findings contribute to the public good by improving the Nation's overall knowledge of disease and disability.

Web: <http://www.research.va.gov>



Veterans Benefits Administration

Delivering Compensation Benefits

The Compensation program provides monthly payments and ancillary benefits to Veterans in accordance with rates specified by law, in recognition of the average potential loss of earning capacity caused by a disability incurred in or aggravated during active military service.

This program also provides monthly payments, as specified by law, to surviving spouses, dependent children, and dependent parents in recognition of the economic loss caused by the Veteran's death during active military service or, subsequent to discharge from military service, as a result of a service-connected disability.

Web: www.vba.va.gov/bln/21/compensation/

Providing Pension Benefits

Pension benefits are monthly payments, specified by law, provided to Veterans with nonservice-connected disabilities, who served in a time of war. Veterans must meet specific income limitations and must be permanently and totally disabled or must have reached the age of 65. This program also provides monthly payments, as specified by law, to income-eligible surviving spouses and dependent children of deceased wartime Veterans who die as a result of a disability unrelated to military service.

Web: www.vba.va.gov/bln/21/pension/

Providing Fiduciary Services

Fiduciary services are provided to Veterans and beneficiaries, who are unable to manage their financial affairs because of injury, disease, infirmities of age, or because they are minor children. This program provides for a selected fiduciary, normally a family member or caregiver, to manage the beneficiary's financial affairs to ensure all of his or her financial obligations are paid.

Additionally, the fiduciary program conducts periodic visits with beneficiaries to ensure they are receiving proper care.

Web: <http://www.vba.va.gov/bln/21/Fiduciary/>

Providing Educational Opportunities

VA's education programs provide eligible Veterans, Servicemembers, Reservists, survivors, and dependents the opportunity to achieve their educational or vocational goals. Education programs also assist the Armed Forces in recruitment and retention and help Veterans readjust to civilian life.

These benefits serve to enhance the Nation's competitiveness through the development of a better educated and more productive workforce. VA administers a number of education programs, including the Montgomery GI Bill, the Post-9/11 GI Bill, the Montgomery GI Bill-Selective Reserve, the Reserve Educational Assistance Program, Dependents' Educational Assistance and the Veterans Retraining Assistance Program (VRAP) - effective March 31, 2014, VRAP is no longer available.

Web: www.gibill.va.gov



Delivering Vocational Rehabilitation and Employment Services

VA's Vocational Rehabilitation and Employment (VR&E) program assists Veterans with service-connected disabilities and an employment handicap (an impairment in substantial part from a service-connected disability) to prepare for, find, and maintain suitable employment. For Veterans with service-connected disabilities so severe that they cannot immediately consider work, the VR&E program offers services to improve their ability to live as independently as possible in their homes and communities.

The VR&E program provides a wide range of vocational and employment services to Veterans, active-duty Servicemembers, and eligible dependents. These services are designed to assist Servicemembers and Veterans choose a suitable career path that does not aggravate their disabilities and assist them in achieving their employment goals. Services include interest and aptitude testing, occupational exploration, career counseling, training, and job-placement services.

This program also provides services to enhance an individual's opportunity to obtain career employment through training. VA pays the costs of tuition, fees, books, supplies, equipment, and, if needed, special services. VA also provides a monthly benefit allowance to help with living expenses.

Web: <http://www.benefits.va.gov/vocrehab/index.asp>

Providing Educational and Vocational Counseling

VA's Vocational Rehabilitation and Employment program administers the Educational and Vocational Counseling benefit to transitioning Servicemembers and current and new participants who are eligible under all Education chapters. The counseling services may include career decision making for civilian and military occupations, assistance with choosing an appropriate civilian occupation, developing a training program, selection of an academic facility, and academic and adjustment counseling to resolve barriers that impede success in training and/or employment.

Web: http://www.benefits.va.gov/VOCREHAB/edu_voc_counseling.asp

Promoting Home Ownership

VA's Loan Guaranty program helps eligible Veterans, active duty personnel, surviving spouses, and members of the Reserves and National Guard by providing access to favorable loan terms. VA also assists these borrowers in retaining their homes through joint servicing efforts with VA-guaranteed mortgage loan servicers via foreclosure avoidance options. In addition, VA offers Specially Adapted Housing grants to Veterans and Servicemembers who have certain service-connected disabilities for the purpose of purchasing, constructing an adapted dwelling, or modifying an existing one to meet their needs.

The Loan Guaranty program also provides direct loans to Native American Veterans living on Federal trust land; and offers some loans to the public when buying homes owned by VA as a result of foreclosure.

Additionally, the Loan Guaranty program markets acquired properties at a discount to qualified nonprofit homeless provider organizations. Eligible nonprofits may purchase these properties at discounts for use as a shelter primarily for homeless Veterans and their families.



Web: <http://www.homeloans.va.gov>

Meeting Insurance Needs

VA's Insurance program provides all Servicemembers and their families with universally available life insurance, which is automatically issued without underwriting. The program provides Servicemembers the option to continue insurance coverage after separating from the military. The Insurance program also offers Servicemembers traumatic injury protection. The program continues to provide life insurance coverage to World War II and Korean War-era Veterans, and to Veterans who have lost or impaired insurability resulting from military service and therefore cannot obtain commercial insurance at standard rates applicable to healthy individuals. In total, the program insures 6.6 million Veterans, Servicemembers, and their families.

Insurance coverage is made available in reasonable amounts and at premium rates comparable to those offered by commercial companies. The program ensures a competitive, secure rate of return on investments held on behalf of the insured.

Web: <http://www.insurance.va.gov>

National Cemetery Administration

Delivering Burial and Memorial Services to Veterans

Primarily through the National Cemetery Administration (NCA), VA honors Veterans and their families with final resting places in National shrine cemeteries and with lasting tributes that commemorate their service and sacrifices to our Nation.

Web: <http://www.cem.va.gov>

Staff Offices

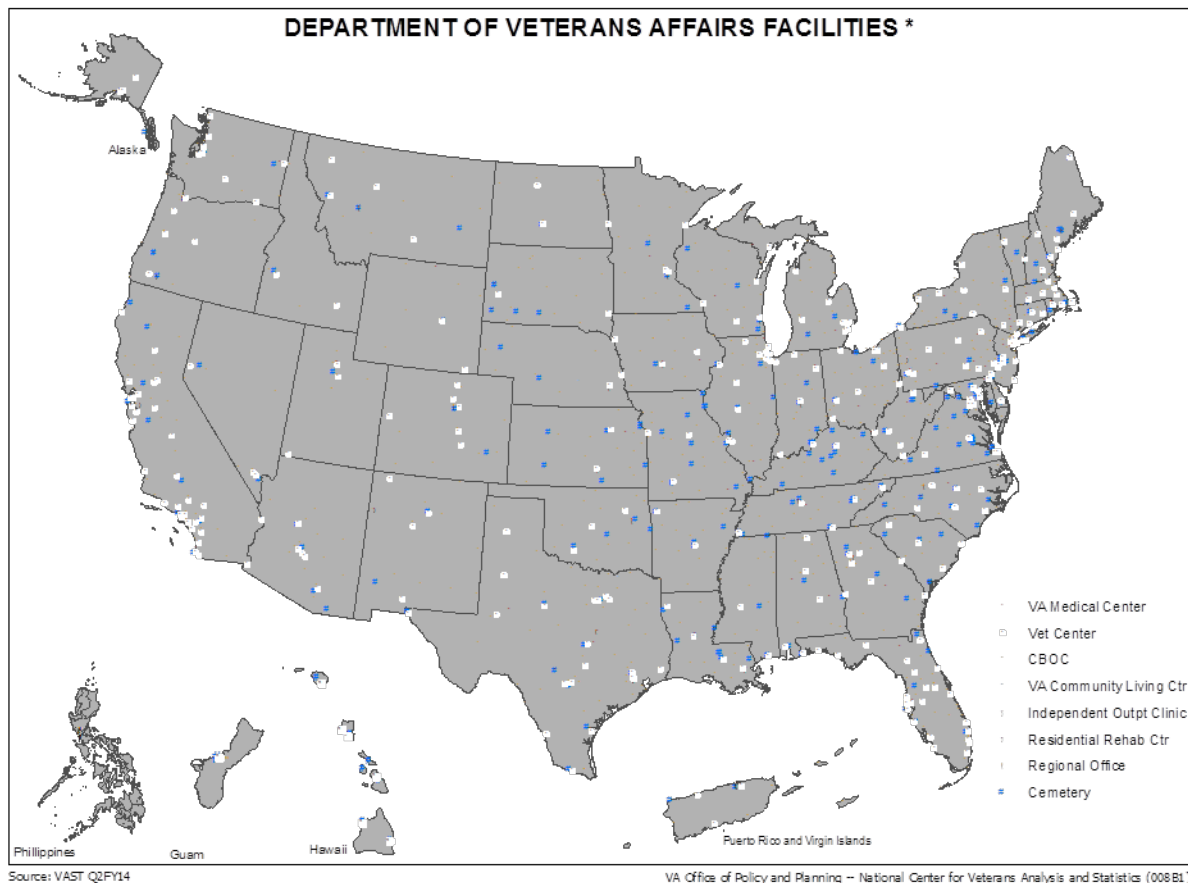
Supporting All VA Operations

The Department's staff offices are critical to VA's ability to deliver services to Veterans in a cost-effective manner. These offices provide a variety of services including information technology, human resources management, strategic planning, Veterans outreach and education, financial management, acquisition, and facilities management.



Our Programs: *Where We Are Located*

VA provides medical care, benefits, and burial services throughout the Nation. Shown below is a depiction of VA's geographical locations as of March 31, 2014. The map identifies 150 Medical Centers, 300 Vet Centers, 820 Community-Based Outpatient Clinics (CBOC), 135 VA Community Living Centers, 6 Independent Output Clinics, 104 Domiciliary Residential Rehabilitation Centers, 229 National and State* Cemeteries, and 56 Regional Offices.



Source: VAST Q2FY14

VA Office of Policy and Planning -- National Center for Veterans Analysis and Statistics (00881)

* Although State Veterans Cemeteries are included on the above map, they are not VA facilities per se. VA provides grants for the repair and establishment of State-operated cemeteries, which provide a burial and memorial benefit to Veterans.



Our Programs: *Who We Serve*

As described on the previous pages, VA programs and services are as varied as the Veterans and family members we serve. VA's commitment to those who have "borne the battle" continues. The chart below describes how many participants are being served by VA.

Program	Year-to-Year Comparison		
	2013 Participants	2014 Participants	Percent Change
*Medical Care			
Unique Patients	6,484,664	6,616,963*	2.0 %
Compensation			
Veterans	3,743,259	3,949,060	5.5 %
Survivors/Children	376,979	382,281	1.4 %
Pension			
Veterans	308,116	304,579	- 1.1 %
Survivors	210,450	211,714	0.6 %
Education⁽¹⁾⁽²⁾			
Veterans/Servicemembers	785,500	781,600	-0.5 %
Reservists	79,900	77,500	-3.0%
Survivors/Dependents	225,600	229,300	1.6 %
Vocational Rehabilitation⁽²⁾			
Program Participants	135,815	123,223	-9.3 %
Housing			
Loans Guaranteed	629,312	438,398	-30.3 %
Specially Adapted Housing (SAH) Grants (Approved)	1,099	1,253	14.0%
Insurance			
Veterans	1,242,543	1,177,369	-5.2 %
Servicemembers/Reservists	2,365,500	2,305,500	-2.5 %
Spouses/Dependent Children	3,103,000	3,009,000	-3.0%
Burial			
Interments	124,800	125,200	0.3 %
Graves Maintained	3,309,700	3,395,400	2.6 %
Headstones/Markers (Processed)	358,600	360,800	0.6 %
Presidential Memorial Certificates	654,500	618,600	-5.5 %

⁽¹⁾Figures represent 12-month rolling data through September.

⁽²⁾Does not represent unique participants. Some participants trained under more than one education program.

*VHA's 2014 number is an estimate.



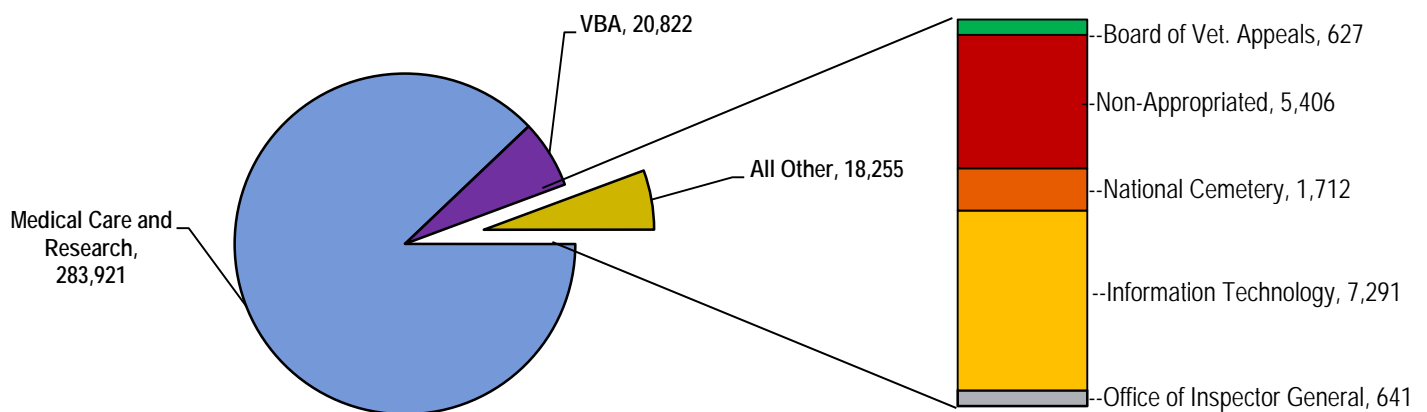
Resources: *Our People*

As of September 30, 2014, the Department employed some 321,730 FTE employees nationwide. The chart below shows the distribution of FTE employees by program area.

As shown below, more than 283,000 FTE support VA's health care system, one of the largest in the world. Among the remaining 38,000-plus FTE, approximately 20,822 are involved with providing compensation and pension, as well as other benefits to Veterans and their families. Approximately 1,700 FTE provide burial and memorial services for Veterans and their eligible spouses and children. About 11,058 FTE employees, located primarily in the Washington, DC area, provide policy, administrative, information technology, and management support to the programs.

Number of Full-Time Equivalent Employees

as of September 30, 2014



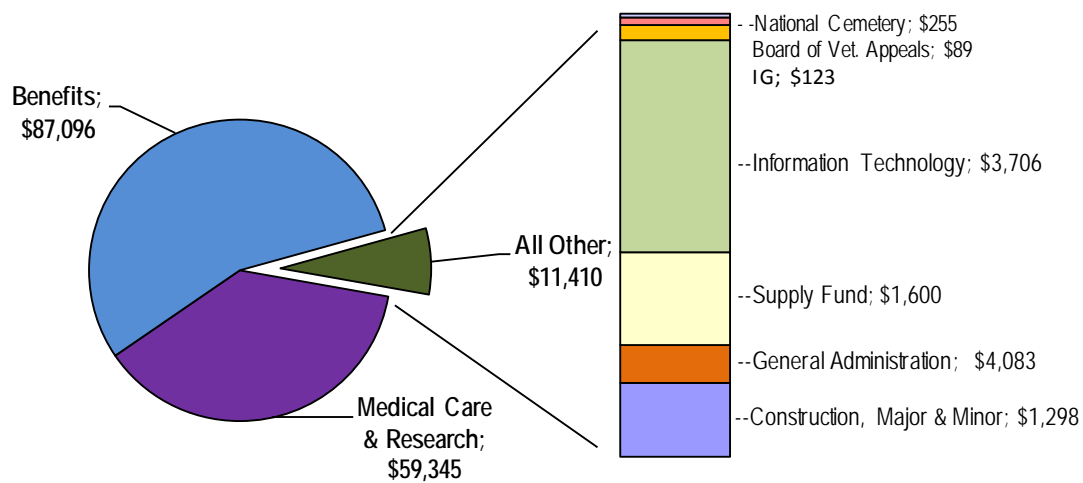


Resources: *Our Budget*

In 2014, VA obligated approximately \$157 billion in total funds, approximately 98 percent of which went directly to Veterans in the form of monthly payments of benefits or for direct services, such as medical care. The pie chart below shows how VA spent the funds with which it was entrusted.

FY 2014 Obligations

(\$ Millions)





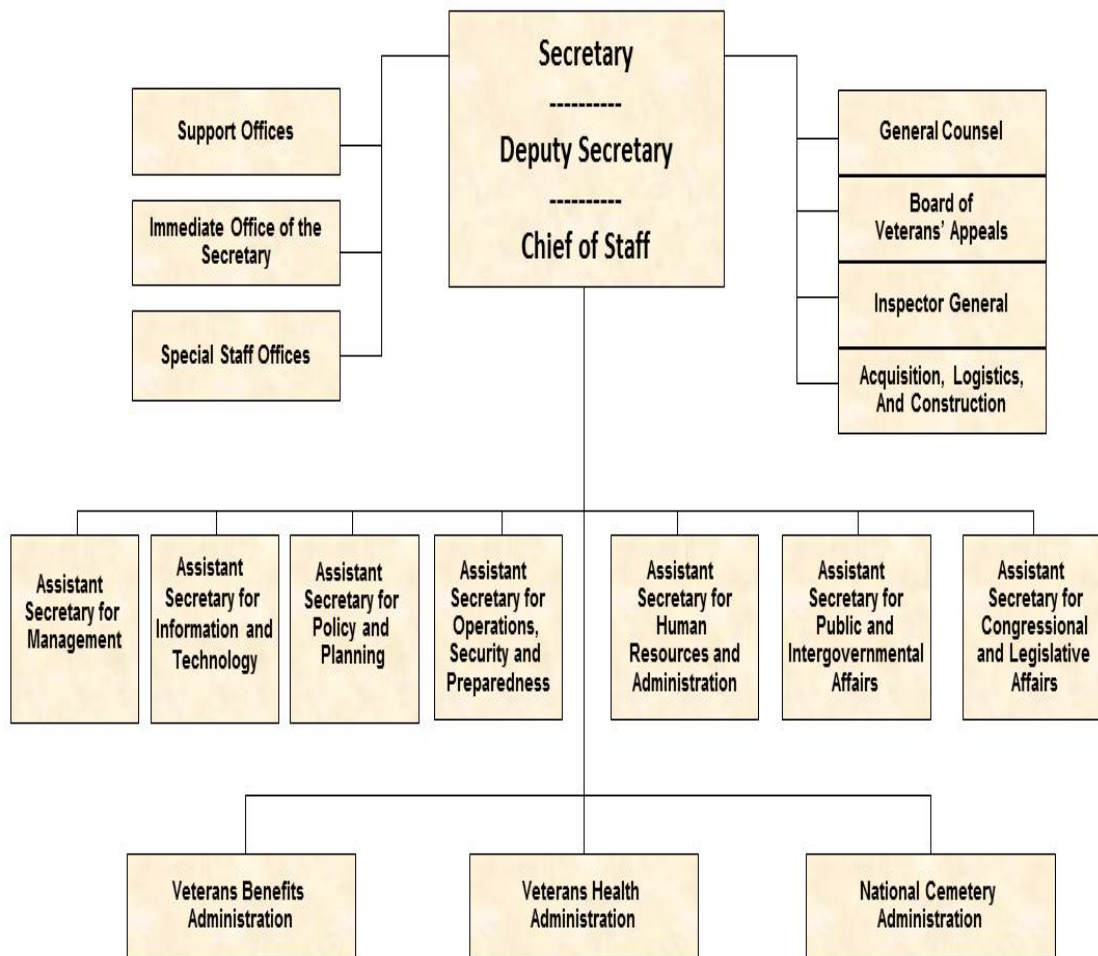
Key Legislative Authority

VA exists to administer the laws, found in Title 38 of the United States Code, providing benefits and other services to Veterans and the dependents and beneficiaries of Veterans.



Our Organization

DEPARTMENT OF VETERANS AFFAIRS





Department of Veterans Affairs Strategic Plan Framework



MISSION: To fulfill President Lincoln's promise

- "...To care for him who shall have borne the battle, and for his widow and his orphan"
- By serving and honoring the men and women who are America's Veterans

GUIDING PRINCIPLES

People Centric Results Driven Forward Looking

TRENDS

Demographic And Societal Change Rapidly Evolving Technology Shifting Roles Of Government

FY 2014-2015 AGENCY PRIORITY GOALS

Access A

Backlog B

Homelessness H

STRATEGIC GOALS

STRATEGIC OBJECTIVES

Empower Veterans to Improve Their Well-being

- Improve Veteran wellness and economic security H
- Increase customer satisfaction through improvements in benefits and services delivery policies, procedures, and interfaces A B

Enhance and Develop Trusted Partnerships

- Enhance VA's partnership with DoD
- Enhance VA's partnerships with Federal, state, private sector, academic affiliates, Veteran Service Organizations, and non-profit organizations H
- Amplify awareness of services and benefits available to Veterans through improved communications and outreach

Manage and Improve VA Operations to Deliver Seamless and Integrated Support

- Make VA a place people want to serve
- Evolve VA information technology capabilities to meet emerging customer service/empowerment expectations of both VA customers and employees
- Build a flexible and scalable infrastructure through improved organizational design and enhanced capital planning
- Enhance productivity and improve efficiency of the provision of Veteran benefits and services
- Ensure preparedness to provide services and protect people and assets continuously and in time of crisis

CORE VALUES

Integrity Commitment Advocacy Respect Excellence

The following pages contain a progress update to the Strategic Objectives of the Strategic Plan.



Strategic Goals and Objectives

Progress Update on Strategic Objectives

Access the [VA FY2014-2020 Strategic Plan](#) for full Strategic Objective narratives.

Goal 1: Empower Veterans to Improve Their Well-being

1.1 Improve Veteran Wellness and Economic Security

Achievements: On August 26, 2014, The U.S. Department of Housing and Urban Development (HUD), VA, and U.S. Interagency Council on Homelessness (USICH) released a new national estimate of Veteran homelessness in the United States. Data collected during the annual Point-in-Time Count conducted in January 2014 shows there were 49,933 homeless Veterans in America, a decline of 33 percent (or 24,837 people) since 2010.¹ This includes a nearly 40 percent drop in the number of Veterans sleeping on the street.

In April 2014, VA launched the Veterans Employment Center (VEC) as the federal government's single online tool for connecting transitioning Servicemembers, Veterans and their families to meaningful career opportunities in the public and private sectors.² The VEC helps Veterans translate their military skills into a profile that can be shared, and connects them with vetted employers looking to leverage the Veteran talent pipeline. In August 2014, VA released version 2.0 with enhanced job-search capability and improved user functionality. The VEC receives over 50,000 page views per day and the number of job seeker profiles has been increasing steadily by over 50% from month to month. Within the VEC, there are over 2,600 registered employers who have made nearly 500 public hiring commitments resulting in over 175,000 positions and 134,000 Veteran hires.

VA is expanding research on the long-term effects of Traumatic Brain Injury (TBI) and Posttraumatic Stress Disorder (PTSD). VA and DoD funded the Chronic Effects of Neurotrauma Consortium³ for a period of 5 years (2013-2018); four projects are currently underway with additional projects anticipated. VA and DoD also funded the Consortium to Alleviate PTSD⁴ for a period of five years (2013-2018) with one project underway and several additional projects undergoing scientific review.

Challenges: New VA leadership, new legislation (i.e. the Veterans Access, Choice, and Accountability Act of 2014⁵) and recent events have shifted priorities in the Department. Therefore,

¹ http://usich.gov/media_center/news/usich-hud-and-va-announce-33-drop-in-veteran-homelessness-since-2010

² <https://www.ebenefits.va.gov/jobs>

³ <https://cenc.rti.org/Research-Studies/CENC-Grant-Program>

⁴ <http://delta.uthscsa.edu/consortiumtoalleviateptsd/>

⁵ <http://www.gpo.gov/fdsys/pkg/BILLS-113hr3230enr/pdf/BILLS-113hr3230enr.pdf>



VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with the Office of Management and Budget (OMB), has determined that noteworthy progress has been made with respect to the performance of this objective.



1.2 Increase Customer Satisfaction through Improvements in Benefits and Services Delivery Policies, Procedures, and Interfaces

Achievements: VA has made substantial progress on execution of its benefits transformation plan to change the way benefits and services are delivered to Veterans, their families, and survivors for generations to come. From March 2013 through September 2014, the backlog – defined as claims that have been pending over 125 days – has been reduced by 369,082 claims, a 60 percent decrease. The total inventory of claims has dropped from 883,930 in July 2012 to 515,621 in September 2014.

VA telehealth programs continue to expand and are a priority in the Department's commitment to increasing access to care for Veterans, especially in rural and remote locations. VA's "Connected Health" initiative embraces virtual care modalities that include My HealtheVet, Secure Messaging, Mobile Health Telehealth and Patient Kiosks. As of June 30, 2014, 10.07 percent of Veterans (570,336 unique Veterans) received telehealth-based care. Additionally, 1,551,832 telehealth visits for Home Telehealth (HT), Clinical Video Telehealth (CVT), and Store and Forward Telehealth (SFT) have taken place nationally during the same time period. Telehealth enables Veterans patients to receive services in their local communities reducing the need for both patients and clinicians to travel.

Access to burial options is being expanded by establishing five new national cemeteries in currently identified areas of need (Southern Colorado; Central East Florida; Tallahassee, Florida; Omaha, Nebraska; and Western New York) by 2017. By the end of FY 2014 VA acquired land for these five cemeteries and they are expected to open between 2015 and 2017, beginning with Cape Canaveral and Tallahassee National Cemeteries in Florida in 2015. VA also accepted the transfer of Yellowstone County National Cemetery, the first of eight National Veterans Burial Grounds (NVBG), which will serve Veterans in rural areas as part of NCA's Rural Veterans Initiative. Yellowstone County National Cemetery will serve Veterans in southern Montana who were previously unserved by a National or State Veterans cemetery.

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014) and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has determined that noteworthy progress has been made with respect to the performance of this objective.



Goal 2: Enhance and Develop Trusted Partnerships

2.1 Enhance VA's Partnership with DoD

Achievements: The Veteran health and benefits portal, eBenefits, showed an increase in the percentage of logons and improved capabilities for users in FY 2014.⁶ In FY 2014, the number of eBenefits users increased by 892,992; this represents a 21.9 percent increase in users. Also, VA and DoD have made significant progress towards meeting the joint Integrated Disability Evaluation System (IDES) performance goal for processing 80 percent of all IDES claims within 295 days. VA has started to use the Separation Health Assessment (SHA) protocol for those Servicemembers who apply for VA disability prior to separation. The SHA is conducted in order to establish a baseline for Servicemember's wellness at separation, identify conditions that are service-connected, and for the purpose of adjudicating future disability claims. In FY 2014, VA completed more than 101,000 SHAs, which included exams in IDES and those within one year of military separation.

Substantial work has been done on DoD's Electronic Health Record acquisition and VA's Electronic Health Record development. Much work remains in order to achieve the legal requirement for DoD and VA to deploy modernized electronic health record software supporting clinicians of the Departments by no later than December 31, 2016, while ensuring continued support and compatibility with the interoperability platform and full standards-based interoperability.

In FY 2014, VA and DoD trained 2,249 VA/DoD providers in the use of consistent models of evidence-based practice for mental health issues demonstrating a 54 percent increase from a baseline of 1,870 trained in FY 2013.⁷

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014) and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with the OMB, has highlighted this objective as a focus area for improvement.

⁶ <https://www.ebenefits.va.gov/ebenefits-portal/ebenefits.portal>

⁷ http://www1.va.gov/op3/docs/StrategicPlanning/VA_DoD_JEC_JSP_FY_2013_2015.pdf



2.2 Enhance VA's Partnerships with Federal, State, Private Sector, Academic Affiliates, Veterans Service Organizations, and Non-Profit Organizations

Achievements: VA engages almost 250,000 commercial, government, non-governmental organizations, and others to help deliver the best possible services to the Nation's Veterans and their families. In January 2014, the Department hosted a VA Services Showcase where 33 VA offices engaged with 167 Non-Governmental Organization leaders regarding information exchange and Public-Private Partnership discussions. On June 26, 2014, VA produced and hosted a Google Hangout to illustrate a responsible and productive Public-Private Partnership on recreational therapy.⁸

The Department planned, coordinated and executed the 2014 Senior International Forum & Ministerial Summit on Veterans Affairs at the U.S. Military Academy, West Point, New York in April 2014.⁹ With support of the White House Director of Intergovernmental Affairs, VA also hosted a Lincoln Award event on the grounds of the White House where select Directors/Commissioners of State Departments of Veterans Affairs were presented awards for outstanding programs that support Veterans.¹⁰

In collaboration with local VHA, VBA, NCA and other state, Federal, and tribal partners, the Department facilitated seven Veterans Training Summits during FY 2014 that focused on strengthening partnerships with 566 Federally recognized tribal governments and enhancing access to services and benefits by Veterans and their families.¹¹

Other FY 2014 efforts have focused on researching best practices across Federal, private, and multi-lateral sectors for evaluating, prioritizing, and monitoring Public-Private partnerships, and best practices for defining and measuring partnership success and outcomes. This research will be used to inform the development of Department-wide Public-Private partnership policies and assist Public-Private Partnership stakeholders in developing guides (e.g., how-to, FAQs, etc.), training material, products, and templates to execute successful partnerships.

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

⁸ <https://www.youtube.com/watch?v=ffVgXNPqlec>

⁹ <http://www.va.gov/opa/pressrel/pressrelease.cfm?id=2535>

¹⁰ <http://www.blogs.va.gov/VAntage/12712/awards-recognize-excellence-in-state-veterans-affairs-programs/>

¹¹ <http://www.va.gov/TRIBALGOVERNMENT/index.asp>



Final Assessment

VA, in consultation with OMB, has determined that noteworthy progress has been made with respect to the performance of this objective.



2.3 Amplify Awareness of Services and Benefits Available to Veterans through Improved Communications and Outreach

Achievements: VA created the Office of Digital Media Engagement to help the Department expeditiously disseminate key messages to Veterans, media organizations, Veterans Service Organizations (VSO), and other key stakeholders. VA has produced a 100 percent increase in engagement levels across social media channels (e.g., Facebook, Instagram, Twitter, etc.) compared to 2013.¹² On September 8, 2014, the Department orchestrated a national Press Conference at VA Central Office, which featured the Secretary McDonald as the keynote speaker.

VA continued to refine the VA-Ad Council national advertising campaign and anticipate a launch in FY 2015¹³. VA also produced the Department's Biennial Outreach Plan, which projects the Department's major outreach initiatives by Administration and applicable VACO Staff Offices for FY 2015. In addition, VA implemented Phase 2 revisions of the VA Explore Web site¹⁴ which makes the site easier for Veterans to navigate and provides more information on the different VA benefits, services and programs available to Veterans.

VA successfully executed its six annual national events: National Veterans Winter Sports Clinic (Colorado), National Veterans Golden Age Games (Arkansas), National Veterans Wheelchair Games (Pennsylvania), National Veterans TEE Tournament (Iowa), and the National Veterans Summer Sports Clinic (California) and the National Veterans Creative Arts Festival (Wisconsin). Collectively, these events provide rehabilitative and adaptive sports and special event opportunities to nearly 2,000 Veterans from across the USA.¹⁵

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

¹² <http://www.va.gov/opa/socialmedia.asp>

¹³ http://www.va.gov/P3/docs/VA_Services_Showcase_Outreach.pdf

¹⁴ www.va.gov/explore

¹⁵ http://www.va.gov/adaptivesports/docs/NVSPSE_event_schedule_2014.pdf



Goal 3: Manage and Improve VA Operations to Deliver Seamless and Integrated Support

3.1 Make VA a Place People Want to Serve

Achievements: In FY 2014, VA assisted 105,321 Veterans through employment readiness and outreach programs.¹⁶ VA also participated in 236 career events that reached 61,367 Veterans. Also, VA signed 11 partnership agreements with other federal agencies to increase awareness of services and benefits available to Veterans across the federal space. The Department also revitalized recruitment efforts by providing guidance to hiring managers on recruitment outreach and hiring solutions in order to recruit for entry level positions, develop career paths, and build pipeline resources through student employment fellowship programs. In addition, the Assistant Secretary of Human Resources & Administration (HR&A) acquired authority on June 3, 2014, to require training and assignment of competency proficiency profiles for VA's HR Specialist and Assistants. VA integrated robust training into the VA Senior Executive Onboarding Program and developed a multi-session curriculum to provide tools and methods to improve the senior executive's strategic decision-making, critical thinking, and ability to lead change.¹⁷ Also, in FY 2014, VA consistently hired Veterans in less than 29 calendar days on average through noncompetitive appointments. As of August 31, 2014, VA had 112,989 Veterans on board which accounted for 32.71 percent of the total workforce. VA also exceeded its 3 percent hiring goal for individuals with targeted disabilities (IWTD) as well as its 2 percent on-board goal for IWTD.

VA achieved milestones required to implement an automated competency gap assessment tool within the Talent Management System.¹⁸ VA enhanced the *MyCareer@VA* career development tool¹⁹ by adding new career groups and extending availability to all current and potential VA employees.²⁰ The Department also initiated seven new Department-wide web-based and virtual instructor-led courses to address curriculum gaps, while organizations within the Department, such as the Office of Information and Technology (OIT), delivered more than 250 training sessions for VA employees. HRA also developed the HRA Strategic Plan 2014-2020 in alignment with the VA Strategic Plan and developed the HRA FY 2014 Operating Plan.

To improve employee engagement, VA established the Employee Engagement and Human Capital Analysis Service to lead and implement VA's engagement initiative. VA explicitly integrated VA's ICARE core values (Integrity, Commitment, Advocacy, Respect, Excellence) in training across VA to establish understanding of core values and characteristics that support VA core competencies.²¹

¹⁶ <http://www.gpo.gov/fdsys/pkg/FR-2009-11-13/pdf/E9-27441.pdf>

¹⁷ <http://cfr.regstoday.com/5cfr412.aspx>

¹⁸ http://www.va.gov/vapubs/viewPublication.asp?Pub_ID=518&FTyp

¹⁹ <http://mycareeratva.va.gov/Pages/default.aspx>

²⁰ <http://www.whitehouse.gov/the-press-office/presidential-memorandum-improving-federal-recruitment-and-hiring-process>

²¹ <http://www.va.gov/icare/>



VA and the Office of Special Counsel (OSC) developed an expedited process to take corrective action for certain whistleblower retaliation cases. Under the expedited review process, OSC conducts an initial review of VA whistleblower retaliation complaints. Inaugural training, also developed in cooperation with the OSC, is in progress for over 31,000 executives, managers, and supervisors. A new internet web page became operational on August 6, 2014.²²

To improve employee engagement, VA established the Employee Engagement and Human Capital Analysis Service to lead and implement VA's engagement initiative. One of the key tools VA is using this year to gauge employee engagement is the All Employee Survey administered annually by HRA. Survey results will be available in FY 2015.

In addition, VA's Best Places to Work index score increased from 56.7 in 2012 to 57.3 in 2013²³. This score measures VA's overall performance based on employee satisfaction and commitment scores from the Office of Personnel Management's Federal Employee Viewpoint Survey results.²⁴

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

²² <http://diversity.va.gov/whistleblower.aspx>.

²³ <http://bestplacetowork.org/BPTW/rankings/overall/large>

²⁴ http://www.fedview.opm.gov/2013files/2013_Governmentwide_Management_Report.PDF



3.2 Evolve VA Information Technology Capabilities to Meet Emerging Customer Service/ Empowerment Expectations of Both VA Customers and Employees

Achievements: In terms of enterprise shared services, VA has migrated the Veterans Health Information Systems and Technology Architecture (VistA)²⁵ interface, Health Information Exchange and Clinical Data Repository to Enterprise Messaging Infrastructure. VA projects have also leveraged the enterprise Identity and Access Management (IAM) which gives VA a single view of a Veteran electronic record across VA and DoD.²⁶ Other achievements include: increased data exchange between DoD and VA using computational and Fast Healthcare Interoperability Resources (FHIR)-based standard messages; additional Web Services to improve user experience and interoperability by migrating Medical Domain Web Services (MDWS) and VistA Integration Engine (VIE) to VistA Services Assembler (VSA); and leveraging the Health Data Repository (HDR) and Data Access Services (DAS) Generation 2 to integrate clinical data between VA and DoD.

VA purchased equipment and provided information briefings to unions in FY 2014 in order to implement the Unified Communications Strategy (USC). The USC will leverage common services and reduce its IT footprint through the convergence of our facility voice, contact center, video, audio conferencing, and collaboration environments into a single platform and operational model. It will also allow the enterprise to move away from traditional telephone equipment (i.e., Private Branch Exchanges or PBXs) and provide voice as a service including calling in, out and across VA, Automatic Call Distribution/Interactive Voice Response services for local call center requirements, voicemail, agent services such as call reporting and monitoring, training, security, and call recording. The goal is to have 70 percent of 177 National Wireless Infrastructure sites completed by August 24, 2015.

Furthermore, VA has several achievements related to Security strategies. VA has continued to implement the Continuous Readiness in Information Security Program (CRISP), a comprehensive security program designed to comply with the Federal Information Security Management Act (FISMA). CRISP involves remediation of IT Security Controls Material Weaknesses that identify vulnerabilities regarding VA systems and information to better protect VA's environment. In FY 2014, VA has either initiated or completed enterprise-wide actions addressing security management, segregation of duties, access controls, contingency planning, and configuration management. CRISP implementation has resulted in significant improvement in remediation of information security deficiencies associated with VA's information security program. As part of CRISP, VA ensured that over 98 percent of VA staff received mandatory security training to protect information of Veterans and their families. The Department also delivered business requirements to OIT in order to implement Homeland Security Presidential Directive 12 with OIT implementation slotted to start on October 1, 2014. Currently, 97 percent of VA workers have been issued a Personal Identity Verification (PIV) card.

²⁵ http://www.oit.va.gov/Enabling_Veteran_Health_Care.asp

²⁶ http://www.ea.oit.va.gov/EAOIT/docs/VA_IRM_Strategic_Plan_Final_Signed_20140424.pdf



Challenges: New VA leadership, new legislation (the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.



3.3 Build a Flexible and Scalable Infrastructure through Improved Organizational Design and Enhanced Capital Planning

Achievements: To provide the best possible experience for Veterans, VA has launched the “MY VA” Task Force²⁷ to improve Veteran engagement, capitalize on short, medium and long term process improvements, and reorganize the Department such that a Veteran clearly understands how VA is structured. The vision is to create a “My VA” that: 1) puts the Veteran in control of how, when, and where they wish to be served; 2) measures success by the ultimate outcome for the Veteran; and, 3) integrates across programs and organizations to optimize productivity and efficiency. This task force will produce a high-level plan as part VA’s Road to Veterans Day initiatives²⁸.

For the past four years, the Department’s Strategic Capital Investment Planning (SCIP) process has produced a single, comprehensive, integrated process to identify and prioritize all capital planning investments - major construction, minor construction, non-recurring maintenance, and leasing - based on identified mission needs. The plan resulting from the FY 2015 SCIP process helped VA to identify and communicate capital requirements consisting of 4,049 capital projects with an estimated capital funding requirement of approximately \$50 billion to address infrastructure performance gaps over its 10 year planning horizon.

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

²⁷ <http://www.va.gov/opa/pressrel/pressrelease.cfm?id=2622>

²⁸ http://www.blogs.va.gov/VAntage/wp-content/uploads/2014/09/RoadToVeteransDay_FactSheet_Final.pdf



3.4 Enhance Productivity and Improve the Efficiency of the Provision of Veterans Benefits and Services

Achievements: On May 27, 2014, VA released a memorandum outlining a mandatory travel training course for travel- approving officials called “Travel Policy Services: Accountable Officials.”²⁹ On December 23, 2013, the Department also published *Directive 0632: Conference Planning, Execution, Reporting, and Oversight* which outlines the principles and policies for conference planning throughout VA.³⁰

VA continues to develop analytical tools necessary for planning and programming to include: End-to-End Requirement framework³¹; Analysis Resource Center, a Planning, Programming, Budgeting and Execution (PPBE) online course (goal to complete in FY 2015); as well as the PPBE Maturation Model. Furthermore, VA’s Corporate Analysis and Evaluation team published the VA Cost Estimating Guide and a Life-cycle Cost Estimation online course in July 2014.³²

VA is also planning to integrate capital equipment, capital facilities, IT, and virtual care modalities into Capital Asset Master Plans for each VISN and select Program Offices by FY 2016. Also, for FY 2014, as of May 31, 2014, reported cost avoidance attributed to Department strategic sourcing initiatives are approximately \$850 million.

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

²⁹ http://www.va.gov/finance/docs/memoMandatoryTaoTraining_20140527.pdf

³⁰ http://www.va.gov/vapubs/viewPublication.asp?Pub_ID=728&FType=2

³¹ <https://vaww.portal2.va.gov/sites/VAPMCOE/RM/SitePages/E2E.aspx>

³² <http://vaww.vaco.portal.va.gov/sites/OPP/CAE/AE/ARC/default.aspx>.



3.5 Ensure Preparedness to Provide Services and Protect People and Assets Continuously and in Time of Crisis

Achievements: VA established an Integrated Process Team to ensure stakeholder collaboration with weekly executive level progress briefings. In August 2014, the Department also started work to establish an Identity Credential Access Management (ICAM) Program Management Office. The ICAM program works to detect and prevent unauthorized access to federal networks. Also, VA published *VA Handbook 0730/5: Security and Law Enforcement* on July 11, 2014, which established a requirement that all VA facilities have an Active Threat Response plan.³³ The Department also developed a training package that teaches the concept of “Evacuate, Engage, Evade” in response to an active threat at the Law Enforcement Training Center and it has been shared with VA administrations.

Challenges: New VA leadership, new legislation (i.e. the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

³³ http://vawww.va.gov/vapubs/viewPublication.asp?Pub_ID=755&FTYPE=2



Agency Priority Goals

VA has identified three Agency Priority Goals (APG), which represent the Department's highest priorities. Each of the three APGs is focused on improving direct service delivery to Veterans and eligible beneficiaries and requires extensive collaboration across VA organizations and with non-VA partners. In addition to having long-term benefits for Veterans, each APG will result in short-term and high-impact improvements in VA performance. What follows is a synopsis of the activity under each goal. For more detailed information, please visit www.Performance.gov.

END VETERAN HOMELESSNESS

Goal Statement: Working cooperatively, VA and HUD aim to reduce the number of Veterans living on the streets and experiencing homelessness to zero as measured by the 2016 Point-In-Time (PIT) Count.

Overview: VA has taken decisive action toward its goal of ending homelessness among Veterans. The End Veteran Homelessness initiative is intended to prevent Veterans and their families from entering homelessness, as well as to assist our homeless Veterans in exiting homelessness as safely and quickly as possible. VA's "no wrong door" philosophy will ensure that homeless Veterans at risk for homelessness have timely access to appropriate housing and services. Any door a Veteran comes to – whether at a medical center, regional office, or community organization - will be empowered to provide the necessary tools to offer Veteran assistance. Ending homelessness among Veterans will advance the mission of VA by ensuring that all Veterans and their families achieve housing stability.

Results: VA and HUD worked together to target HUD-VA Supportive Housing (VASH) vouchers to communities in need of this resource. These vouchers provide rental assistance to homeless Veterans, enabling them to find permanent housing. Allocations occurred during the last quarter of FY 2014.

Throughout FY 2014, VA collaborated with HUD and USICH to build partnerships that aim to strengthen the data systems in the communities with the highest numbers of homeless Veterans in order to better assist them with coordinating their efforts with VA and non-VA providers to reduce and ultimately end Veteran homelessness.

The VHA Homeless Program Office, in collaboration with VA-Center for Applied Systems Engineering, conducted quarterly updates of the Homeless Gap Analysis. These updates were incorporated into actual data along with additional operational strategies submitted by VA Medical Centers (VAMC) in collaboration with community partners. Strategies were submitted within the Gap Analysis tool directly to the VHA Homeless Program Office. These strategies were developed to increase the number of permanent housing placements generated by the VAMC. Examples include increasing rates of exit from transitional programs to permanent housing, reducing length of stay (i.e.,



increasing positive turnover), increasing HUD-VASH utilization rates, developing new affordable housing units in the community through partnerships. Increases in the number of permanent housing placements by each VAMC directly benefits homeless Veterans by assisting greater numbers with obtaining permanent, safe, and stable housing.

VA announced award decisions for the Supportive Services for Veteran Families (SSVF) in the fourth quarter of FY 2014. Secretary McDonald announced the award of approximately \$300 million in grants that will help approximately 115,000 homeless and at-risk Veterans and their families. The grants will be distributed to 301 community agencies in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. Under the SSVF program, VA awards grants to private non-profit organizations and consumer cooperatives that provide services to very low-income Veteran families living in – or transitioning to – permanent housing. Those community organizations provide a range of services that promote housing stability among eligible very low income Veteran families (those making less than 50 percent of the area median income). The grants will fund the fourth year of the SSVF program.

VBA electronically tracks, prioritizes, and processes claims from Veterans who are homeless or deemed to be at imminent risk of becoming homeless. As a result, the average days to complete claims from homeless Veterans improved by 26 percent (180 days in FY 2013 to 134 days in FY 2014). In FY 2014, VBA completed 15,434 claims for compensation or pension from homeless Veterans, compared to 13,719 claims in FY 2013.

VA knows that many homeless Veterans do not ask for assistance, therefore VBA has 20 full-time Homeless Veterans Outreach Coordinators (HVOC) at the regional offices with the highest homeless Veteran populations. HVOCs conduct outreach at numerous locations and help refer homeless Veterans to Federal, state, or local programs and services for assistance.

Financial hardship and foreclosure can throw a Veteran and his family into homelessness, so VA has specific programs to help at-risk Veterans. VBA's Relocation Assistance Program, "Cash for Keys," helps transition Veterans in foreclosed housing to new housing to avoid homelessness. VA offers assistance to at-risk Veterans who have become delinquent on their mortgage payments. As of June 2014, VBA succeeded in 80 percent of its efforts to resolve the delinquent loans of Veterans, avoiding their risk of homelessness.



IMPROVE VETERANS ACCESS TO BENEFITS AND SERVICES

Goal Statement: Improve client and stakeholder awareness of, and access to, VA benefits and health care services. By September 30, 2015, VA will increase the use of virtual service options by increasing the percent of claims received electronically, the number of accredited Veterans service officers registered on the Stakeholder Enterprise Portal, the number of registered eBenefits users, and the percent of patients who access VA health care using a virtual format such as Video Telehealth or online services.

Overview: VA's focus in FY 2014-2015 is to deliver seamless and integrated services while increasing the efficiency and effectiveness of virtual access. To achieve the best possible outcomes for Veterans, Servicemembers, and eligible beneficiaries, VA will improve access to, and actively encourage the use of, its virtual benefits and services. VA and DoD have established a jointly supported portal known as eBenefits, which allows Veterans, Servicemembers, and other eligible beneficiaries to access and submit information when, where, and how they want.

Results: VA's strategy for improving Veterans' access to benefits and services has two main components: leveraging technology in multiple formats and offering multiple ways for Veterans to receive health care.

VA has three principle avenues for leveraging technology to improve Veterans access to their benefits: the eBenefits system, increased web presence, and the Stakeholder Enterprise Portal. During FY 2014, the number of individuals with access to eBenefits grew to over 4 million, a 30 percent increase from October 1, 2013. eBenefits has been accessed by Servicemembers and Veterans in over 180 countries, who have viewed the status of their claims over 38 million times since April 2010. Veterans have also generated nearly 600,000 copies of their military discharge papers (DD Form 214) and over 500,000 home loan Certificates of Eligibility to date through eBenefits.

VBA has a substantial web presence in order to reach our increasingly tech-savvy Veteran population. Since October 1, 2013, VBA webpages received nearly 56 million page views from people looking for information about benefits. VBA is also on Facebook and Twitter, with over 300,000 subscribers on Facebook and 38,000 Twitter followers. But it is not only Veterans who are using technology to access their benefits, over 1,700 Veterans Service Organization representatives from 75 unique organizations registered with the Stakeholder Enterprise Portal as of July 31, 2014, to file benefit claims electronically on behalf of Veterans.

VA is expanding the number of ways that Veterans can gain access to medical services. One of the most significant tools at our disposal is the use of various aspects of telemedicine. As of September 23, 2014, VHA had a combined 1,793,557 individuals accessing care using a Virtual Care Modality (VCM). VCM covers a number of tools, such as: Home Telehealth, which allows for remote monitoring of vital signs of patients with chronic conditions helping them to remain at home and independent; Secure Messaging, which allows secure online communications between patients and



their health care provider; E-consults, which provides specialty care consultation through review of a patient's electronic medical record to facilitate or eliminate face to face visits; and Clinical Video Telehealth which allows a patient to access specialty care or receive consultative services from a remote location reducing travel time.

As of September 30, 2014, a total of 4,219 Veterans received VA care directly in their homes via CVT into the home. During FY 2014, the CVT into the Home program expanded by approximately 300 Veterans per month. In late December 2013, VA increased access for Veterans to CVT into the home services by adding Apple iPad tablet functionality to the existing connectivity solutions of personal computers and laptop computers as the technologies they can use to connect via video with their VA providers.

Some of the other technology tools that VA is leveraging include telehealth-based care and telemental health. As of September 30, 2014, 12.7 percent of Veterans (716,000 unique Veterans) received telehealth-based care. Additionally, 2,189,000 Telehealth visits for HT, CVT, and SFT have taken place nationally during the same time period. These technology tools allow a Veteran to receive care from his or her physician or nurse even though they are not together in a VA medical facility. Telemental health has been expanded to include specialist services to Veterans as follows: Tele-Bipolar to Cambridge CBOC, Cambridge, Ohio; Chillicothe VAMC, Chillicothe Ohio; Hollywood CBOC, Hollywood, Florida; Miami VA Health Care System (HCS), Miami, Florida; Tele-Pain to North Coast CBOC, Warrenton, OR; Rochester Outpatient VA Clinic, Rochester, New York; Peru CBOC, Peru, Indiana; VA Northern Indiana HCS, Marion, Indiana; Tele-insomnia to Laredo VA Outpatient Clinic, Laredo, Texas; VA Texas Valley Coastal Bend HCS, Harlingen, Texas; Tele-Comp & Pension to West Texas VA HCS, Big Spring, Texas; and White City or VA Southern Oregon Rehabilitation Center, White City, Oregon. As of September 30, 2014, a total of 108,824 Veterans received telemental health treatment this fiscal year.

In FY 2014 VA expanded the number of CBOCs using telemedicine technologies from 300 to 600. This expansion included greater use of Specialty Care Access Network Extension for Community Healthcare Outcomes medical and surgical specialties from 12 to 20.



ELIMINATE THE DISABILITY CLAIMS BACKLOG

Goal Statement: Improve accuracy and reduce the time it takes to complete disability benefit claims. Eliminate the disability claims backlog, and process all claims in 125 days with 98 percent accuracy in 2015.

Overview: VA will provide timely, accurate decisions on Veterans' disability claims and eliminate the claims backlog in FY 2015. Improving quality and reducing the length of time it takes to process disability claims are integral to VA's mission of providing benefits to eligible Veterans in a timely, accurate, and compassionate manner. To improve benefits delivery, VA is transitioning to an electronic claims process that will reduce processing time and increase accuracy. In addition, VA is delivering training that is more aligned with the needs of the workforce to operate in this electronic environment. VBA is encouraging Veterans to submit Fully Developed Claims (FDC) that include all supporting evidence when the claim is filed. The FDC is typically the fastest way for Veterans to receive a decision on their claims. Increasing the number of FDCs filed electronically by Veterans, or by Veterans' representatives on their behalf, reduces the single largest source of delay associated with gathering evidence to support a claim and helps reduce the overall time it takes to process a claim. Through people, process, and technology integrated initiatives, the workforce will achieve the goal of eliminating the disability claims backlog in 2015.

Update: VA has reduced the backlog, which is defined as any claim older than 125 days, from a peak of 611,073 in March 2013 to 241,991 in September 2014. Today, Veterans with pending claims have been waiting an average of 132 fewer days for decisions on their claims, compared to the peak in March of last year. In addition, VBA has reduced its inventory from a peak of 883,930 in July 2012 to 515,621 in September 2014. VBA completed over 1.3 million claims in FY 2014.

Part of the increased productivity can be attributed to VA's move into electronic operations. In the past VBA touched nearly 5,000 tons of paper annually. In FY 2014, VBA processed 91 percent of disability claims electronically. VBA is automating processes to improve timeliness, accuracy and productivity, enabling Veterans to file claims, upload evidence, and check claims status online.

As the result of a significant marketing campaign of printed materials, videos, and public service announcements, in FY 2014 FDCs constitute 39 percent of all claims received. The FDC program continues to increase the number of claims submitted with all the information and evidence in the claimant's possession, thereby reducing the time VA needs to gather the evidence the law requires and allowing VA to decide claims more timely. Through eBenefits, Veterans are able to appoint a VSO to help initiate their claims, gather supporting medical records and evidence, and submit their claims and supporting information online, thereby significantly reducing mean wait time.



Contributions to Cross-Agency Priority (CAP) Goals

Improve Mental Health Outcomes for Servicemembers, Veterans, and their Families

Mental health is a priority for the Administration and is frequently addressed by the President, First Lady, and Vice President. Since September 11, 2001, more than 2.6 million Servicemembers have deployed to Iraq or Afghanistan with unprecedented duration and frequency. A significant number of these returning Servicemembers have reported difficulties with PTSD, depression, and problematic alcohol use.

The CAP Goal, *"Improve Mental Health Outcomes for Servicemembers, Veterans, and their Families,"* leverages successes made by DoD, VA, and Health and Human Services (HHS) to implement Executive Order 13625 (issued August 31, 2012) on improving access to mental health services for Servicemembers, Veterans, and military families. The CAP Goal advances efforts of DoD, VA and HHS to coordinate and direct improvements to a complex continuum of care that provides prevention, diagnosis, referral, and treatment capabilities across a range of behavioral health services, including community-based providers. The Departments collectively take a holistic approach to mental health treatment, focusing on improving patients' access to care, identifying and providing optimal therapy for each individual requiring treatment, and ensuring that Federal and community-based providers work together seamlessly to ensure the best possible care for Servicemembers, Veterans, and their families.

Objectives for this CAP Goal

Goal activities include reducing barriers to seeking mental health treatment and support, enhancing access to mental health care support, and supporting innovative mental health research. The three sub-goals and efforts related to them are:

1. REDUCE BARRIERS to seeking mental health treatment and support:
 - Identify, expand and promote programs, initiatives and efforts to reduce negative perceptions of mental health issues and increase awareness of resources;
 - Identify the needs of Military-connected families and link them with community resources;
 - Evaluate and improve DoD, VA and HHS public awareness campaigns to overcome negative perceptions and promote awareness;
 - Evaluate the quality and effectiveness of Military OneSource and the Veteran and Military Crisis Lines, and plan continued program improvements to both lines;
 - Continue to host VA Mental Health Summits to identify unmet needs of Veterans and their families; and
 - Identify and enhance understanding of community-based programs and services to support mental health needs of Veterans and their families.



2. ENHANCE ACCESS to mental health care and support:

- Identify, consolidate and build upon successful DoD and VA programs and initiatives;
- Evaluate and improve existing VA-community collaboration pilot programs;
- Promote expansion of formal arrangements and collaborations with community providers;
- Expand telemental health care to meet demand and facilitate access to care;
- Build on efforts to integrate mental health and substance use care into primary care programs;
- Support an open source directory of validated resources to aid community-based providers, Servicemembers, Veterans and their families in identifying available resources; and
- Extend data sharing across DoD and VA health care locations to ensure that critical data in DoD and VA medical records are viewable by those who require such access to best treat Servicemembers, Veterans, and their families.

3. SUPPORT INNOVATIVE RESEARCH:

- Identify and develop more effective diagnostic and treatment methodologies to improve outcomes, including for PTSD, TBI, and related conditions;
- Evaluate the impact of ongoing DoD and VA research to improve diagnosis and treatment of TBI, PTSD, and related conditions; and
- Fulfill commitments from the National Research Action Plan and chart next steps.

Progress Against Milestones in FY 2014

The CAP Goal, *Improve Mental Health Outcomes for Servicemembers, Veterans, and their Families*, is new for 2014. Activities are currently underway to address the aforementioned aspirational goals and measures have been developed to track progress.



CAP Goal: Smarter IT Delivery

The CAP Goal related to Federal cybersecurity helps Federal departments and agencies improve cybersecurity performance by focusing efforts specifically on the following: what data and information is entering and exiting their networks; what components are on their information networks and when their security status changes; and who is on their systems. The White House will focus agency efforts on improving the security of their networks by implementing the Administration's priority cybersecurity capabilities and developing metrics to measure their success.

VA is working closely with the Department of Homeland Security (DHS) to meet the cybersecurity CAP goal. In July 2014, VA signed a memorandum of understanding with DHS to participate in the Continuous Diagnostics and Mitigation (CDM) program, which will be a major component of our Information Security Continuous Monitoring program. CDM is a dynamic approach to fortifying the cybersecurity of government networks and systems. CDM provides Federal departments and agencies with capabilities and tools that identify cybersecurity risks on an ongoing basis, prioritize these risks based upon potential impacts, and enable cybersecurity personnel to mitigate the most significant problems first.

In addition to the CDM effort, VA is participating with DHS's Network Services Division on the implementation of Einstein 3 on all Trusted Internet Connection gateways.

Objectives for this CAP Goal

The Administration's priority cybersecurity capabilities are:

- 1) Trusted Internet Connections (TIC) - Consolidate external Internet traffic and ensure a set of common security capabilities for situational awareness and enhanced monitoring. The FY 2014 target for this capability is 95 percent of all TIC capabilities implemented and 95 percent of network traffic passing through a TIC.
- 2) Continuous Monitoring of Federal Information Systems - Transform the historically static security control assessment and authorization process into an integral part of a dynamic, enterprise-wide risk management process. This change allows departments and agencies to maintain an ongoing, near real-time awareness and assessment of information security risk and rapidly respond to support organizational risk management decisions. The FY 2014 target for this goal is 95 percent of all network devices and servers visible and participating in the automated continuous monitoring system.
- 3) Strong Authentication – Ensure only authorized employees have access to Federal information systems by requiring a higher level of assurance following the HSPD-12 Personal Identity Verification standard. The FY 2014 target for this goal is 75 percent of all users authenticating to networks with a PIV card.



Progress Against Milestones in FY 2014

VA has met the target goal in TIC capabilities, but not in TIC consolidation. VA has made improvements in TIC consolidation with 48 percent of external connections that account for 57 percent of VA's external network traffic passing through an approved TIC. VA also participates in DHS's National Cyber Security Protection System program at all approved TIC locations.

VA is among the first agencies to institute continuous monitoring. VA accomplished continuous monitoring of its IT systems, endpoints, and servers through multiple automated platforms, including IBM's Endpoint Manager, Nessus scanning, and SolarWinds server monitoring. VA previously satisfied the automated monitoring goals in FY 2012. All network endpoints and servers are continuously monitored by VA's automated continuous monitoring systems. Of note, VA implemented DHS's intrusion detection system, Einstein 3, which monitors VA's network gateways for unauthorized traffic. In addition, VA has implemented the Agilance RiskVision Governance, Risk and Compliance tool.

VA remains behind the target goal in PIV-only authentication; however, a plan has been submitted to DHS/OMB by the Office of Security and Preparedness outlining how VA plans to make progress in this area. VA has met the PIV-only authentication goal for privileged users in the enterprise.



Performance Highlights

In light of the patient access crisis that developed earlier in the year, VA made the decision in August 2014 to modify its portfolio of performance measures in order to focus on outcomes and Veteran satisfaction. The following 14 measures are part of the new, modified portfolio and are included here to highlight VA's commitment to openness and accountability through enhanced use and reporting of Veteran satisfaction information.

Full reporting on measures in VA's revised portfolio is in Part II, pp. 8-58. Furthermore, a list of the measures that were canceled, along with the results for FY 2014 and historical results going back to FY 2010, can be found in Section IV, Other Accompanying Information.

Measure	Performance History				FY 2014		Strategic Targets
	2010	2011	2012	2013	Results	Targets	
Veterans Health Administration							
Percent of patients who responded 'yes' on Patient Centered Medical Home survey questions that contribute to the Self-Management Support Composite	N/Av	N/Av	N/Av	N/Av	58%	57%	TBD
National Cemetery Administration							
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	95%	95%	96%	96%	TBD*	98%	100%
Percent of respondents who rate national cemetery appearance as excellent	98%	98%	99%	99%	TBD*	99%	100%
Percent of respondents who would recommend the national cemetery to Veteran families during their time of need	98%	98%	99%	99%	TBD*	99%	100%



Veterans Benefits Administration							
Overall Customer Satisfaction Index Score (Compensation)	N/Av	N/Av	N/Av	N/Av	618	Baseline	TBD
National Call Center Client Satisfaction Index Score	N/Av	N/Av	731	723	748	735	740
Overall Customer Satisfaction Index Score (Pension)	N/Av	N/Av	N/Av	N/Av	666	Baseline	TBD
Pension Call Center Client Satisfaction Index Score	N/Av	N/Av	N/Av	732	766	735	740
Education Call Center Client Satisfaction Index Score	N/Av	N/Av	N/Av	803	832	780	790
Overall Customer Satisfaction Index Score (Education)	N/Av	N/Av	N/Av	N/Av	762	Baseline	TBD
Veterans satisfaction with the Vocational Rehabilitation and Employment Program	N/Av	N/Av	N/Av	N/Av	698	Baseline	TBD
Veterans satisfaction level with the VA loan guaranty program	N/Av	N/Av	N/Av	N/Av	815	Baseline	TBD
Rate of high client satisfaction ratings on insurance services delivered	95%	95%	95%	93%	93%	95%	95%
VA Staff Offices							
Percent of visitors to VA's website that indicated that they are satisfied/highly satisfied with information presented	N/Av	67%	67%	74%	70%	77%	80%

*2014 results from NCA's customer satisfaction survey will not be available until Dec 2014



Financial Highlights

The principal financial statements have been prepared to report the financial position and results of operations of VA pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of VA in accordance with generally accepted accounting principles for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The financial statements should be read with the realization that VA is a component of the U.S. Government, a sovereign entity.

VA received an unqualified ("clean") opinion on the Department's financial statements for 2014 and 2013 from the external auditing firm of CliftonLarsonAllen LLP (CLA). As a result of its audit work, CLA reported one material weakness in internal controls and two significant deficiencies. The sole material weakness was for "Information Technology (IT) Security Controls," a repeat condition. VA received two significant deficiencies; one for "Financial Reporting," driven by the age of VA's legacy Financial Management System; and one for "Accrued Operating Expenses."

Additionally, while there is no change in Total Net Position, the FY 2013 VA financial statements have been restated, with adjustments being made to Cumulative Results of Operations and Unexpended Appropriations as of September 30, 2012. During 2014, VA concluded that an accounting error that affects prior year reported financial information qualified for a restatement of the Balance Sheet and Statement of Changes in Net Position to properly state both Unexpended Appropriations and Cumulative Results of Operations. The adjusting entry has no budgetary impact, with no effect on Net Cost or Net Position, since the adjusting entry was offsetting within Net Position (see Part III, Note 24 to Consolidated Financial Statements for more information).

Through its leadership and guidance, VA's Office of Financial Process Improvement and Audit Readiness' (FPIAR) has significantly aided VA's audit remediation efforts. The FPIAR office continues to provide guidance in the remediation of audit findings and improvements to internal controls. VA's financial improvement successes in 2014 reflect the dedication and hard work of staff throughout VA's Administrations and staff offices. In 2015, VA will focus on continuing progress toward remediating the remaining material weakness identified by the external auditors and management's assessment process.

VA programs operated at a net cost of \$182 billion in 2014, as compared to a net cost of \$354 billion in 2013, for an overall decrease in net cost of \$172 billion or 49 percent. The decrease is primarily due to a decrease in the changes in actuarial costs for Veterans' compensation and burial. The change in costs from actuarial assumptions was \$136 billion; the change in costs from actuarial experience, which is included with Veterans Benefits Administration (VBA) program costs, was \$45 billion. Both of these changes related to VBA's efforts to reduce the backlog of pending compensation claims, including the large number of claims from eligible Veterans with pre-existing



conditions that were added to the list of presumptive conditions related to Agent Orange. VA recognized these effects primarily in September 2013; the actuarial liability balance has not changed significantly as of September 2014.

Other significant changes in Net Program Costs include a \$4.7 billion, or eight percent increase for VHA and a \$4.4 billion, or five percent increase for VBA. The VHA increase relates principally to an increase in Medical Care expenses consisting of increased medical personnel, direct patient care costs, increased purchases of medical equipment and related information technology support and medical services infrastructure costs. There was an increase of over nine thousand full time medical personnel serving a 2.3 percent increase in the overall number of patients over the prior year. Most of the increase in medical services related to outpatient care, especially for mental health. In addition, four percent more outpatient surgery procedures were performed.

The VBA (non-actuarial) program cost increase primarily relates to an additional 2.7 million payments to Veterans and survivors receiving compensation and pension payments and additional payments to Veterans participating in the new Post-9/11 GI Bill for education.

Assets and liabilities reported in VA's balance sheets do not show significant change from year to year with the exception of Federal Employee and Veterans Benefits Liabilities (\$32 billion) and Fund Balance with Treasury (\$19 billion). It should be noted, however, that the components of Net Position for 2013 have been restated to correct an error in the accounting for the Medical Services fund expenditures related to Medical Care Collections Fund receipts. The prior period adjustments were offsetting between Unexpended Appropriations and Cumulative Results of Operations, thus having no effect on Net Position (see Part III, Note 24 to Consolidated Financial Statements for more information).

The \$32 billion increase in the Federal Employee and Veterans Benefits Liabilities in 2014 represents a small increase of 1.6 percent which consists of several component changes, none of which is significant. The \$19 billion increase in Fund Balance with Treasury is primarily due to VA receiving \$15 billion in funding as a result of the Veterans Access, Choice, and Accountability Act (Public Law 113-146), which became law in August, 2014. The purpose of this law is to improve and track Veteran's access to medical services. Of the \$15 billion in new funding, \$14.7 billion is available starting FY 2015 and \$0.3 billion was apportioned in 2014 for administrative expenses.

Through FY 2014, the Department has collected \$1.2 billion in delinquent benefit debt. In addition, we have collected \$52.1 million through administrative offset and another \$177.9 million through Treasury Offset on delinquent first party medical debt during 2014.

In 2010, VA developed a set of 11 financial management initiatives. Seven of these were completed in 2011. In 2014, VA continued work on the four remaining multi-year initiatives. These financial management priorities drove our efforts during 2014, and continue to help us meet our financial management goals of: Reducing Operating Costs, Eliminating Improper Payments, Strengthening Internal Controls, and Enhancing Data and Analysis.



In 2013, VA deployed its Web-based time and attendance system (VATAS) to approximately 27,000 users. Additional enhancements were developed in the system in preparation for the start of VA-wide deployment in 2016.

In 2013, VA also completed a final rule mandating electronic invoicing for payments made by VA's Financial Services Center (FSC) helping to eliminate the errors and expense associated with traditional paper invoice submission and improving cost effectiveness, payment accuracy, and timeliness for both VA and vendors. During 2014, the FSC continued its expansion of a technological solution to transition from paper to electronic invoice submission.

Pursuant to guidance in the 2014 Omnibus Bill, VA successfully closed out the Recovery Act program, successfully meeting all program goals. For USAspending.gov, VA is continuing to report all required contract, grant, loan, and other assistance program spending, totaling \$142 billion. Additionally, VA exceeded the reduced travel spending targets established by the Office of Management and Budget (OMB), implementing memorandum M-12-12, "Promoting Efficient Spending to Support Agency Operations." The Memorandum, dated May 11, 2012, directs federal agencies to reduce travel spending. VA developed and executed a plan to reduce non-critical travel costs and exceeded the required spending reduction by 22.3 percent. VA monitors spending monthly and reports the status to OMB quarterly.

During 2014, the Department continued the aggressive use of the government-wide purchase card program, processing over 6.1 million transactions representing \$3.7 billion in purchases. This generated over \$73.7 million in refunds for VA compared to \$71.5 million during 2013. VA's daily electronic billing and payment process for centrally billed accounts, along with a higher negotiated refund rate, allow VA to maximize refunds that are returned to VA entities for use in Veterans programs.

VA continued to enhance its vendor payment processes throughout 2014; however, the increase in the prompt payment interest rate from a historical low of 1.375 percent in January 2013 had a negative effect on the interest performance metric in FY 2014. Overall VA interest penalties paid per million dollars disbursed increased from \$23 per million in FY 2013 to \$31 per million in FY 2014. At the same time, VA earned 92 percent (\$4.0 million) of its available discounts. FSC interest penalties paid per million dollars disbursed also increased from \$11 per million in FY 2013 to \$16 per million in FY 2014. Additionally, FSC earned 93 percent (\$3.6 million) of its available discounts.

The FSC also leveraged technology to expedite payment of commercial invoices. At the end of 2014, FSC helped VA pay 97 percent of small businesses within 15 days of receipt of proper payment documentation. Additionally, during 2014 VA paid 99.9 percent of all commercial vendor payments within the Prompt Payment Act timeliness standard.

Improvements were made in VHA financial management throughout the year in providing additional and clarifying financial policies, procedures, and guidance to VHA's fiscal community, particularly in



the area of internal controls. VHA continues to monitor and improve its financial reporting and oversight process.

During 2014, several national financial training sessions were conducted through live-meeting for Engineering, Finance, and Logistics staff to address audit findings related to Property, Plant, and Equipment, Construction Work-in-Process, Environmental Liabilities, and Deferred Maintenance. Additional training sessions were conducted for Finance and Pharmacy staff to address internal control issues related to the reconciliation of the Pharmacy Prime Vendor account activity.

During 2014, the financial oversight assistance program provided on-site assistance and training to finance staff at five VHA facilities. Training centered on researching and correcting accounting errors, and on reviewing and improving facility accounting practices. In addition, the program provided customized training on processing accounting transactions in the financial management systems.

VHA continues to be actively engaged in addressing financial management issues at all levels of management and in all activities that have direct or indirect impact on financial reporting.

Throughout 2014, VBA's Office of Resource Management (ORM) continued to improve its financial operations. The following improvements highlight efforts to enhance the quality of operations and of financial reporting:

- VBA continued to improve its program to eliminate improper payments by:
 - Expanding the payment test plans for all high risk programs in response to an OIG finding. This resulted in more thorough testing of the samples to identify improper payments.
 - Creating a central SharePoint for posting detailed test results. This reporting tool provides real-time reporting, audit trails and tracking of testing progress.
- VBA continued to improve its financial systems by:
 - Continued development and testing of the Recertification Accounting and Tracking System (RATS). When implemented in FY 2015 this web-based system will track all incoming returned payments, reclamations, payment over cancellations, and limited payability checks processed by the VBA Finance Center. RATS provides a greater level of internal controls over the process of returning funds to both the appropriation and Veterans. The automation of obsolete manual processes will also provide faster resolution of outstanding items.
 - Implemented new Treasury payment files for all programs. Changes to the payment file were mandated by Treasury as part of the Government Wide Accounting Modernization program. These new payment files allow Treasury to post up to date cash balances instead of only being able to report once a month when VBA submits its Statement of Transaction Reports.



- Implemented a new module in the Centralized Accounting and Transaction System for contract examinations. This new module automates a previously paper based process and provides greater internal controls over monitoring and reporting for this program.
- VBA continued efforts in reducing the balances of aged undelivered orders (UDO), to address VA's 2012 and 2011 Audit findings, which stated that VA's undelivered orders (UDO) balances were not accurately stated, and de-obligation of excess funds were not being performed in a timely manner. Ongoing focused efforts will continue to mitigate this significant deficiency.
- The Under Secretary for Benefits approved an initiative to realign the structure of the Support Services Divisions (SSDs) VBA-wide. This realignment will allow SSDs to complete the work of the organization more efficiently; eliminate inconsistencies in position titles, series', and grades; and update existing position descriptions to more accurately describe how the work is being done today. While the overall structure of the organization doesn't change significantly, we are transforming the organization by establishing defined upward mobility and strategic succession planning capabilities which did not exist previously. The benefits of this realignment include the following:
 - Better aligns positions with workload
 - Better describes work being performed
 - Implements a strategic succession plan
 - Provides viable career paths with defined educational requirements
 - Attracts, develops, and retains quality employees
 - Facilitates advancement
 - Allows for development of a national training strategy to focus on career progression as well as technical competence (to be addressed following implementation)
 - Standardizes employee performance measurement
 - Facilitates efficient recruitment efforts



Management Controls, Systems, and Compliance With Laws and Regulations

VA management is required to comply with various laws and regulations in establishing, maintaining and monitoring internal controls over operations, financial reporting and financial management systems as discussed below. VA is required to provide assurances related to the Federal Managers' Financial Integrity Act, the Federal Financial Management Improvement Act, and the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) in the section entitled "Management Assurances."

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish management controls over their programs and financial systems. VA managers monitor and improve the effectiveness of management controls associated with their programs and financial systems throughout the year. The results of monitoring and conducting other periodic evaluations provide the basis for the Secretary's annual assessment of, and report on, management controls. VA managers are required to identify material weaknesses relating to their programs and operations pursuant to sections 2 and 4 of the FMFIA as defined:

- Section 2 requires agencies to assess internal controls necessary to ensure compliance with applicable laws and regulations; protect against loss from waste, fraud, and abuse; and ensure receivables and expenditures are properly recorded.
- Section 2 also requires management's assessment of internal control over financial reporting.
- Section 4 requires agencies to assess nonconformance with Government-wide financial systems requirements.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) requires agencies to have systems that generate timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis. The Department faces challenges in building and maintaining financial management systems that comply with FFMIA.

Under FFMIA, VA is substantially compliant with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level, but VA has a repeat material weakness (MW) for Information Technology (IT) Security Controls. The IT MW results in VA's financial management systems not being in compliance with the federal financial management systems requirements as required by FFMIA Section 803(a). VA continues to work to remediate this remaining material weakness.



Government Charge Card Abuse Prevention Act of 2012

The Charge Card Abuse Prevention Act (Charge Card Act) requires agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. Furthermore, the Act requires agencies to report purchase card violations, and the the Inspectors General to conduct periodic risk assessments of Government charge card programs.

Management Assurances

During 2013, the former Secretary of Veterans Affairs emphasized the importance of managers implementing strong internal controls that will enhance the Department's diligent stewardship and wise application of taxpayers' assets and programs to deliver timely and high quality benefits.

OMB Circular A-123, Appendix A, *Management's Responsibility for Internal Control*, defines the requirements for conducting management's assessment of internal control over financial reporting in federal agencies. In 2014, VA completed a comprehensive assessment of internal controls over financial reporting covering approximately 37 key business processes directly affecting specific financial management statement accounts with impact on internal controls over financial reporting. Management's assessment of internal control over financial reporting included an evaluation of such elements as the design and operating effectiveness of key financial reporting, controls, process documentation, accounting and finance policies, and overall control environment. VA engaged an independent public accounting firm to assist in an internal-control assessment pursuant to OMB Circular A-123, Appendix A.

VA used a risk-based approach to identify key internal controls over financial reporting for material financial statement accounts. VA tested internal controls rated as "high- risk" as well as controls rated as "moderate-risk." Low-risk controls are evaluated periodically through self-assessment procedures conducted by Department managers.

OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs* prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge. Corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices at VA.

After reviewing the results of the assessments outlined in the Statements of Written Assurance provided by the Under Secretaries, Assistant Secretaries, and Other Key Officials, the Secretary of Veterans Affairs provided a qualified statement of assurance including the annual certification for compliance with the Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194. One material weakness was identified under FMFIA, "Information Technology (IT) Security Controls," which carried forward from 2011 through 2013 and will be carried forward into 2014. This is discussed in more detail below.

Based on the results of VA's internal control assessment, no additional material weaknesses were identified in 2014.



Summary of Auditor's Internal Control Assessment

The auditors' report on internal controls reported one material weakness: "Information Technology (IT) Security Controls." With respect to this material weakness, the auditors noted progress and improvement in the IT controls environment but also observed several areas which continue to need enhancements.

Progress on Material Weakness

The 2014 *Independent Auditor's Report on Internal Control Over Financial Reporting* disclosed one material weakness, "Information Technology Security Controls," as a weakness under FMFIA. VA managers continue to make progress in correcting this material weakness. The one audit-related material weakness reported at the end of 2014 is shown in the table below, which provides the current status of the Department's material weaknesses.

The auditors' report on compliance with laws and regulations, also prepared as a result of the 2014 financial statement audit, determined that the Department's financial management systems did not substantially comply with the Federal Financial Management Improvement Act (FFMIA) requirements. The remediation of this non-compliance is being addressed through corrective actions identified for the material weakness, "Information Technology (IT) Security Controls."



November 14, 2014

Statement of Qualified Assurance

The Department of Veterans Affairs' (VA) management is responsible for establishing, maintaining, and assessing internal control to ensure the efficiency and effectiveness of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Based on the annual assessment of the Department's internal control program, VA provides a qualified statement of assurance, identifying one material weakness as it relates to internal control objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 4. The details of the material weakness and related corrective actions are discussed in Part I, "Management Controls, Systems, and Compliance with Laws and Regulations," under the sections titled "Audit Material Weaknesses Identified by Management," and Part IV, "Other Accompanying Information" under the section titled "Summary of Financial Statement Audit and Management Assurances." No other material weaknesses were found in the design or operation of the internal controls for the fiscal year ended September 30, 2014.

In addition, VA conducted its assessment of the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of Appendix A of revised OMB Circular A-123, "Management's Responsibility for Internal Control." Based on the results of the assessment of key business processes tested during 2014, VA's internal control over financial reporting is operating effectively and no new material weaknesses were identified as of June 30, 2014.

This evaluation was conducted in accordance with the revised OMB Circular A-123. As a result of this evaluation, the Department provides the following:

Effectiveness of Internal Control Over Operations (FMFIA § 2)

Based on information received, VA provides reasonable assurance that internal control over operations is effective except for a deficiency in Veterans Health Administration patient scheduling. No new material weaknesses were identified during FY 2014.

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)

In accordance with the Department's OMB approved plan for Appendix A of revised OMB Circular A-123, our efforts focused on assessment of the key business processes and financial statement accounts during 2014. Based on information provided for the processes and financial statement accounts assessed, VA provides reasonable assurance that internal control over financial reporting meets the objective. No new material weaknesses were identified during FY 2014.

Conformance with Financial Management System Requirements (FMFIA § 4)

The Department faces challenges in building and maintaining financial management systems that comply with the Federal Financial Management Improvement Act (FFMIA). Under FFMIA, VA is substantially compliant with applicable Federal accounting standards and the U.S. Standard General Ledger at the transaction level. However, VA is not compliant with Federal financial management system requirements as a result of the material weakness identified prior to FY 2014 related to Information Technology (IT) Security Controls and the significant deficiency for financial reporting issues.

Compliance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194

The Department can provide reasonable assurance that the appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices.

Robert A. McDonald
Secretary of Veterans Affairs



Audit Material Weakness Identified by Management

Description	Status as of September 30, 2014	Resolution Target Date
<p>Information Technology (IT) Security Controls (Audit/FMFIA Section 4 weakness) – VA’s assets and financial data are vulnerable to error or fraud because of weaknesses in information security management, access controls, segregation of duties, configuration management and contingency planning.</p>	<p>VA continues to implement the remediation plan defined in 2012 to address the IT Security Controls material weakness and will reassess its approach in response to feedback as a result of the recent audit. The approach will include prioritization of remediation efforts to focus on areas of highest risk. Additional financial, systems and personnel resources have been requested both to further support the corrective action plan and to sustain the program long-term.</p> <p>The CRISP team is responsible for implementation of the corrective action plan. During 2015, the Plan of Actions (POA) to address recommendations identified by OIG will be executed and remedial actions taken. A small number of POAs will be completed during the first quarter of 2016.</p> <p>Improvements to systems, procedures and controls in the specific areas cited in the finding are on-going:</p> <ul style="list-style-type: none"> • The Security Management and Analytics (SMA) Office was established in 2013. The purpose of this office, in part, is to ensure managerial oversight of the Baseline Configuration Management Program (BCMP). Baseline Configurations have been established for many systems and the SMA office will continue to determine where a baseline is needed, initiate and oversee actions to modify/maintain, implement baselines, establish baseline review schedules, review baseline compliance, and oversee the baseline configurations for VA in its entirety. In January, 2013 OIT introduced a Monthly Enterprise Wide Vulnerability scanning initiative which 	<p>2015</p>



Description	Status as of September 30, 2014	Resolution Target Date
	allows VA to address continual and ever-changing threats to its information systems. This initiative has continued throughout 2014 and is scheduled for improvements in 2015 with additional automation tools that improve the remediation of devices. VA continues to improve its patch and vulnerability processes through the expansion of the Patch Vulnerability Team (PVT) to protect VA Systems and Information. The SMA Office was established to analyze existing scanning, patching, remediation, and compliance-reporting tools, processes and dependencies and implement a standard patch management and compliance-reporting program.	

Financial Management Systems Framework

Overview

The Department's strategy is based on goals to replace outdated and noncompliant systems with more modern, commercial off-the-shelf (COTS) systems that meet Office of Federal Financial Management core financial system requirements. This strategy was enhanced to incorporate business process reengineering in the requirements, acquisition, and development and implementation phases of projects.

The Office of Business Oversight's Internal Controls Service (ICS) provides the CFO with independent review of and advisory services for all aspects of VA's internal controls over financial reporting, to add value and improve management, acquisition, development, and maintenance of VA financial systems. The Department's scope of work is to ensure compliance with regulatory requirements such as those prescribed by OMB Circular A-123, Appendix A and the Open Government Directive.

ICS is responsible for planning and conducting Department-wide reviews of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A. ICS also engages in management-directed program activities and system management reviews of project management processes and results, and monitors corrective action to address deficiencies identified in reviews. For example, in 2014, ICS worked closely with process owners on corrective action plans to remediate findings from the 2012 and 2013 testing cycles.



VA's financial systems inventory provides details on all major financial and mixed systems. The major financial system initiatives funded by the Department over the last 15 years to achieve VA's strategic goals include the following:

Financial Management System

The Financial Management System (FMS) was designed to replace VA's 1970's central accounting system. In the FMS initiative, completed in 1995, VA successfully met its stated objectives and implemented FMS as its single, core accounting system based on a certified Commercial Off the Shelf (COTS), with interfaces to all other VA payment and accounting systems. In the succeeding, post-implementation years, VA completed several studies and determined there were remaining inefficiencies in the overall financial management processes, areas of noncompliance in its mixed systems, and new mission business requirements that could not be supported economically in the current systems.

Recent accomplishments in VA's financial systems, as well as plans for the next five years are detailed as follows.

VA continued production support and maintenance of FMS during 2014. VA will continue to operate FMS as the core financial system for the foreseeable future.

VA's current financial system framework consists of FMS as the core financial system and a variety of subsidiary and feeder systems which process transactions of various types. Transactions that have a financial impact are sent to the core financial system. Systems such as payroll, benefits systems, procurement and other systems send data to the core system for budget execution, monitoring and reporting.

Personnel and Accounting Integrated Data System (PAID)

VA continued production support and maintenance of the Personnel and Accounting Integrated Data System (PAID) during 2014. Plans are underway to replace the PAID system with a new Human Resources (HR) Line of Business solution. Primary support and maintenance of PAID relates to HR processing and, as required, enhancements that impact how data flows over to VA's payroll provider, the Defense Finance and Accounting Service (DFAS).

VA Time and Attendance Modernization

VA deployed its Web-based time and attendance system (VATAS) to approximately 27,000 users. Additional enhancements were developed in the system in preparation for the start of VA-wide deployment.

Federal Information Security Management Act (FISMA)

VA continues to work on remediation of the IT Security Controls Material Weakness by developing and executing CRISP.



The Security Management and Analytics (SMA) Office was established in 2013, in part to ensure managerial oversight of the BCMP. Baseline configurations have been established for many systems and the SMA office will continue to determine where a baseline is needed, initiate and oversee actions to modify/maintain, implement baselines, establish baseline review schedules, review baseline compliance, and oversee the baseline configurations for VA in its entirety.

In January of 2013, a Monthly Enterprise Wide Vulnerability scanning initiative began which allows VA to address continual and ever-changing threats to its information systems. This initiative has continued throughout 2014 and is scheduled for improvements in 2015 with additional automation tools that improve the remediation of devices. VA continues to improve its patch and vulnerability processes through the expansion of the PVT to protect VA Systems and Information. The SMA Office was established to analyze existing scanning, patching, remediation, and compliance-reporting tools, processes and dependencies and implement a standard patch management and compliance-reporting program.

In 2014, VA plans to aggressively execute the enterprise remediation plans developed in 2013 for remediation of its material weakness by continuing to improve programs and initiatives which are foundationally geared towards a better-protected VA environment.

IG Act Amendments of 1988

The *Inspector General Act of 1978*, as amended, requires the Office of Inspector General (OIG) to identify recommendations pending implementation over one year in its Semiannual Report to Congress until final action is completed. As of September 30, 2014, OIG reports that 41 reports with 83 recommendations remain unimplemented over one year from issuance with a total monetary value of nearly \$1.53 billion. (Source: Office of the Inspector General)

Audit Follow-Up

VA continues to make improvements and routinely assesses its programs, financial management, and financial systems. In addition, VA is making progress in resolving the one remaining material weakness.

The primary responsibility of the FPIAR is to define and support a strategy to identify root causes of deficiencies and to improve financial management and internal control deficiencies. The FPIAR office is responsible for audit follow-up and takes the lead in addressing deficiencies. FPIAR coordinates the development of corrective action plans, monitors remediation progress, and provides guidance and support to the Administrations and staff offices. The status of remediation efforts are reported to VA's Senior Assessment Team.

Accordingly, VA management at every level has been tasked with sustaining the effort in resolving program and financial-related weaknesses, as well as implement sound solutions for all audit recommendations. In order to ensure continued success in remediating audit findings, VA has contracted with an Independent Public Accounting firm to provide audit support and financial improvement services designed to resolve VA's material weakness related to Information Technology



Security Controls. VA has enhanced its communication and coordination with VA Administrations and staff offices involved in strategic planning, budget formulation, budget execution, performance, and financial management.

Prompt Payment Act

In 2014, VA's FSC continued to serve as VAs centralized payment office for certified and matched invoices for purchased goods and services as well as construction payments. Performance results reflect improvements in payment processing timeliness, accuracy, and cost savings.

Vendor Payment System

VA continued to gain efficiencies and improve performance from an initiative started in FY 2004 which centralized vendor payment activities at FSC. Through this centralization VA strengthened its focus on identifying and preventing improper vendor payments. FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment and, as appropriate, collection. Additionally, FSC reviews vendor payments to identify and collect improper payments resulting from erroneous interest penalties.

Overall, during FY 2014, collections of improper payments totaled \$7.0 million from payment recapture audits. FSC was able to identify and take action on \$3.5 million in improper payments for the Franchise Fund in FY 2014. Improved payment oversight enabled VA to identify and cancel over \$19.7 million in potential improper payments prior to disbursement.

Electronic Invoice System

FSC continued its expansion of a technological solution to facilitate the transition from paper to electronic invoice submission using the e-Invoice format. The FSC e-Invoicing initiative is being performed in partnership with A&T Systems, Inc., and Tungsten, Inc. This initiative goes beyond traditional electronic data interchange methods by offering a solution that does not require vendors to purchase any additional software or hardware. Additionally, all vendors can easily participate without changing existing invoicing formats. Tungsten has the capability to accept any invoice format or layout directly from the vendor's existing billing system and utilize the electronic communication method of the vendor's choice. The electronic invoice data is then passed to the FSC to automatically populate the appropriate payment applications. The errors, expense, and time delays associated with traditional paper invoice submissions are eliminated, resulting in improved cost effectiveness, payment accuracy, and timeliness for VA and the vendor. During FY 2014, FSC increased the use of electronic invoicing to approximately 80 percent.

In 2014 the Tungsten Corporation recognized the FSC with both the "Supplier Engagement Award" and the "Green Award". The Supplier Engagement Award distinguishes the organization that converted the highest number of suppliers from paper invoices to electronic invoicing. The Green Award was presented in association with the Green Organization who promotes environmental best



practices around the world and recognizes entities that have eliminated the highest volume of paper invoices during the past year. The FSC saved 143 trees and 504 pounds of air pollutants through electronic invoicing.

Fee Basis Purchase Card

VA's Fee Basis purchase card program automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA purchase card refunds. In 2014, VA's Fee Basis credit card processed over 86,000 transactions representing over \$32 million in payments, and generated over \$646,000 in refunds. The lack of growth in this program was attributed to a brief lapse in the program as VA transferred payment processing responsibilities to US Bank. US Bank added the service to VA's contract at no additional charge, thus saving VA over \$500,000 annually. VA expects the program to grow as additional Fee Basis medical providers agree to receive payment via the Fee Basis Purchase Card and as more VA Medical Centers join the program.

Prime Vendor Payment System (Power Track) Power Track automates payments under a nationwide pharmaceutical prime vendor centralized purchasing contract. During 2014, 147 VA medical centers used the Prime Vendor Payment System to electronically process over 615,000 transactions worth over \$4.1 billion. The FSC ensures vendors who participate in VA's multi-billion dollar Prime Vendor procurement program are paid on time. These vendors provide VA medical centers with an efficient way to order supplies at low, negotiated contract prices and guarantee delivery within 24 hours, eliminating the need for warehousing large volumes of supplies.

E-Gov Travel Service

The FSC provides program management for VA's E-Gov Travel Service (ETS), a government wide, web-based, world-class travel management service for over 100,000 users VA-wide with 150,000 to 200,000 TDY vouchers processed annually. In 2012, General Services Administration (GSA) awarded the master contract for E-Gov Travel Services 2 (ETS2). VA followed with our award to Concur Technologies, Inc., utilizing their Concur Government Edition (CGE) offering. All federal agencies are required to migrate to GSA's new ETS2.

In FY 2014, FSC transitioned VA from the current ETS, FedTraveler.com to ETS2, CGE. This project affects all employees who travel, approve official travel, assist others in the creation and/or submission of documents, maintain a system of record, or make travel arrangements for beneficiary travelers.

ETS2 helps achieve VA's Fiscal Year 2014-2020 Strategic Plan, Strategic Objective 3.4: Enhance Productivity and Improve the Efficiency of the Provision of Veteran Benefits and Services. ETS2 benefits include enhanced tools to facilitate accountability over travel reservations and approvals for Federal Travelers, a conference reporting tool with conference administration by a centralized office, and future enhancements for mobile technology.

The FSC will continue to provide support for VA-wide travel services, including support of VA's Travel Management Centers (TMC), which serves Veterans and employees who travel frequently. The



billings are transmitted electronically from each TMC, and payment is sent daily through the Department of the Treasury's Electronic Certification System. During 2014, the travel management program processed over 490,000 transactions, disbursed payments of over \$59 million, and earned over \$1 million in refunds.

Vendor Inquiry System

The FSC staff continued to provide vendor payment history on the Internet. The Vendor Inquiry System (VIS) Internet application stores over seven years of information. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. Currently there are over 50,000 active registered vendors. VIS provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day. VIS has also improved customer service efficiency of FSC staff by handling many routine inquiries and freeing staff to work customers' more difficult issues.

Registered VIS users have the ability to submit electronic invoices directly to the FSC. Vendors complete easy-to-use forms to create, manage and track their invoices. This online system provides vendors with a list of valid purchase orders, virtually eliminating the number one error that causes payment delays. Errors identified by the system are immediately returned to the VIS user, who can instantly correct them prior to submission. This prevents payment delays and results in quicker, more accurate vendor payments.

Medical Claims Processing

VHA is one of the world's largest health care delivery organizations. VA manages authorizations, claims processing, and reimbursement for services acquired from Non-VA healthcare providers through the Fee Basis (Fee) program. The use of Fee is generally only authorized when appropriate VA services and/or facilities are not available or cannot be economically provided to the Veteran due to geographical inaccessibility. The VHA Chief Business Office (CBO), Purchased Care, developed a comprehensive set of requirements to outline a vision for the future state of purchased care.

CBO partnered with FSC in late 2009 to develop and deliver their future state requirements. These requirements represent three distinct functional components. Enrollment and Eligibility System (EE) applies business rules to automatically enroll Veterans into Health Plans and Groups based on the Veteran's eligibility. The Referral and Authorization System (RAS) provides referral templates to automatically invoke rules for approving Veterans' authorizations for Fee/Non-VA Purchased Care. The Claims Payment Processing System provides claims adjudication based on appropriate payment methodologies and Fee schedules with seamless integration with EE and RAS during adjudication.

FSC has delivered the enrollment and eligibility system and the referral and authorization system, as well as an additional module for hospital notification. These modules are in production in VISN 11 and continued deployment is planned in 2015. This initiative stands to reduce an estimated \$400 in erroneous payments annually for this program.



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